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**CITY OF GARDEN GROVE**

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CABLE SERVICES BUREAU

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*Councilman*  
Mark Rosen  
*Councilman*

AUG 11 2000

July 18, 2000

00-30

Mr. Rob Moel  
Vice President and General Manager  
Time Warner Communications  
7441 Chapman Avenue  
Garden Grove, CA 92841

Dear Mr. Moel:

At the July 11 Garden Grove City Council meeting, consideration was given to the request to transfer control of the City's cable franchise held by KBL Cablesystems of the Southwest Inc., dba Time Warner Communications, from Time Warner, Inc. to America Online-Time Warner, Inc.

After considerable discussion, rather than approve the transfer, the City Council unanimously voted to receive and file the request. As you know, this has the effect of allowing the proposed merger to move forward without opposition from the City of Garden Grove, but at the same time does not show affirmative support for the merger. While the Council agreed that AOL-Time Warner meets the legal, financial, and technical requirements of the franchise, their decision was based on ongoing concerns about the performance of the current franchisee. These are outlined below.

As you know, the City and Time Warner are currently nearing the end of the second, three-year negotiation period to renew the cable franchise, which is now nearly 18 years old. To date, after almost six years, agreement still has not been reached on two major issues:

1. The rebuild of the system which would allow Garden Grove residents to receive internet and interactive services currently being offered to almost all customers served by Time Warner in Southern California: As part of the transfer process, the City examined Time Warner's compliance with the existing franchise. In this context, it was requested that written confirmation be provided by Time Warner for a beginning date for the rebuild that will bring the Garden Grove cable system into parity with all other cities served by Time Warner in Southern California (excluding Los Alamitos). A written commitment was not provided, and became relevant to the transfer process in terms of potentially being out of compliance with the stipulated judgment between the franchisee and the City of Garden Grove. Additionally, the issue of compliance was raised by the Council with regard to the Social Contract between Time Warner and the FCC.

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2. Continuation of support for local programming: While the Council realizes that this is primarily a renewal issue, they expressed concern that Time Warner has not been negotiating in good faith as evidenced by their repeated refusal to consider any offer made by the City for continued support, and the expectation that the City will give up existing support with nothing given in return. This not only shows a lack of good faith in the negotiation process, it also indicates to the City that Time Warner does not value local programming. This is in stark contrast to other cable companies across the country that have consistently committed to PEG support as part of their franchise renewal.

Considering these two items, the Council felt they could not affirmatively support the request to approve the proposed merger. Furthermore, they requested that a copy of this letter be forwarded to the cable division of the FCC, the Department of Justice, the President of AOL, and State and Federal elected officials serving Garden Grove, as a statement of their ongoing concern with Time Warner and its corporate position on these matters.

If you have questions, I may be reached at 741-5285.

Sincerely,



Kathy Moore, Manager  
Office of Administrative Services and Community Relations

c: As noted above